

Remarks by Ambassador Alan D. Solomont
***Cultura en Red* Conference**
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Thank you, Mara, for your kind introduction, and thanks to Grupo Planeta, NBC Universal and Bertelsmann for hosting and to Elena Herrera Beaumont and David Cordoba of Vines for organizing this conference which addresses one of the most important issues of our time: Culture On-Line or *Cultura en Red*.

This issue is important for at least three reasons. First – and closest to home for me as United States Ambassador – is that Culture On-Line cuts across some of the most difficult policy questions that governments face today.

How can we protect cultural expression on the internet, so that artists and musicians and actors and writers can live from their creations, while preserving the openness of the internet that allows for the free exchange of ideas? How do we balance the right to privacy with the legitimate need for access to information? How do we keep the internet safe, from criminals who want to disrupt our economies or steal our identities or lure our children, while simultaneously ensuring it continues to be a vehicle for free expression?

Frankly, we are struggling to answer all these questions – in a way that meets the needs of governments and citizens, companies and creators. The answers, I'm afraid, are still a ways off. But considering that we first signed on to the internet only 15 years ago, it's not surprising we still haven't resolved all these issues. Cybercrime, internet piracy, data privacy – these are terms that were meaningful to only a handful of people a decade ago. Is it any wonder we have yet to figure out how to deal with them?

As challenging as these debates may be, they are not what make Culture On-Line so powerful. Some debates are never ending, and

others will be overtaken by technological change before they ever get resolved.

There are two other reasons, very basic, which make Culture On-Line so important. First, culture and technology have gone hand in hand for as long as we know. Just four chapters into the Bible's book of Genesis, we are told that the first man to play musical instruments and the first one to forge tools of bronze and iron were half-brothers, grandsons of Cain, best known for the story of Cain and Abel.

When we talk about culture and the internet, we are at the nexus of two of the most intrinsic aspects of humanity. Cultural expression and technological advancement mark us as human beings. They are the basis of civilization, whether it's dancing ballet or lighting the stage, painting a canvas or designing an app.

But never before, in the history of mankind, have culture and technology combined in such a powerful way and on such a global scale.

Finally, Culture On-Line not only taps into our interests as human beings, it profoundly affects our global economy. There is no more dramatic example of modern technology than moving a local, cultural expression around the globe via the internet. Whether it's Susan Boyle singing or Psy rapping Gangnam style or the Harlem shake, we've all witnessed the power of the internet to spread culture around the world in an instant. Then, these cultural expressions can be monetized as their audiences climb into the millions and hundreds of millions.

From artists, writers and singers, to the largest telecommunications companies and content providers, to a myriad of small businesses and entrepreneurs, the mix of culture and the internet is one of the most potent drivers of our global economy.

Let me stay on this issue for a moment, because many of us are unaware of the value of these creative industries to our economies.

A 2012 study by the United States Department of Commerce provided the first ever comprehensive analysis of the importance of intellectual property-intensive industries to the U.S. economy. I should note that, in the United States, when we talk about intellectual property, we are referring to both intellectual and industrial property.

According to the Commerce report, in 2010, such industries accounted for 35% of U.S. GDP, 61% of total U.S. merchandise exports and 28% of all employment in the United States, which translates into some 40 million American jobs.

The Commerce Department study divides these industries into three groups: those that are heavy users of trademarks, those that are intense users of patents and those that depend on copyrights. There is some overlap, but the group of copyright-dependant enterprises are the ones that best capture what we consider today's cultural industries. These industries include independent artists, performers and writers, software developers, newspaper and book publishers, the motion picture industry, design services, and others.

Let me focus on the importance of copyright industries in particular. According to the Department of Commerce study, these industries provide high-wage, high-education, high value-added jobs that generate significant exports. Let me give you some details:

- **High-employment:** Copyright industries accounted for over 5 million jobs in the United States in 2010. Plus they supported, almost half again as many, some 2.5 million indirect jobs. The total represents nearly a 50% increase between 1990 and 2010. And of those jobs, 16.5% are self-employed, versus under 9% of self-employed jobs in the economy overall.
- **High wages:** Jobs in industries that are intellectual-property intensive are high-paying jobs. On average, they paid 40% more than the average wage in the United States in 2010. Copyright industries, specifically, paid an even higher premium over the average – some 77% in 2010.

- **High-education:** In copyright industries, over 60% of employees had a university or graduate degree in 2010. This was higher than other intellectual property-intensive industries and almost double the proportion of highly educated workers in the general economy.
- **High value-added:** The contribution of copyright industries to GDP was even higher than its employment numbers would suggest. Copyright industries accounted for 3.5% of employment in the United States in 2010, but 4.4% of all economic output.
- **High exports:** Service exports with high intellectual property content totaled about \$90 billion in 2007. This accounted for about 19% of total American service exports. Topping the list were exports by software publishers which generated \$22.3 billion, followed by the motion picture and video industries at \$15.3 billion. Newspaper, book, and directory services accounted for \$3 billion in exports.

Clearly, these are critical industries that warrant protecting and supporting, not just in our economy, but in every economy.

The story is not just about numbers. It's a story of talented and productive people making a living from their ideas and creations, using the internet to take their creativity a step farther.

This is the story of Mary Engelbreit of St. Louis, Missouri. As an 11-year-old girl, Mary started drawing pictures, and soon she decided she wanted to be a professional illustrator. In 1977, she started to illustrate greeting cards, and soon she began licensing her artwork for use on a wide range of products.

By 1986, Mary's greeting cards had become a million-dollar-a-year business. By 2000, Mary's creations were the second best-selling licensed property – second only to Winnie the Pooh.

In 2001, Mary contracted to illustrate children's books for HarperCollins. Her debut book, "The Night Before Christmas," spent eleven weeks on the New York Times best-seller list. Now, she has

contracts with dozens of manufacturers who have produced more than 6,500 products, available around the world, with more than \$1 billion in total retail sales.

The story of cultural industries is also the story of Bob MacNeil of New Jersey. Bob began his career as an illustrator in 1991, just as the internet and the digital age were drastically changing the landscape of the art industry. With digital art tools and media, Bob was able to create more pieces of his work. He easily circulated his art, and he built up his portfolio at a quicker pace.

The internet became a vital tool for Bob MacNeil, and he claims it had three, far-reaching benefits. First, it gave him the opportunity to work in a variety of fields without regard to location. Second, the internet became a cost-effective way to expand his reach. Finally, exposure on the internet, brought Bob's art to people all over the world. It allowed him to reach new audiences and clients, to receive valuable feedback and to share his knowledge and experience with other artists.

Bob MacNeil's work now ranges from advertising and illustrating to animating and video games. He has worked with major companies such as Disney, Kellogg's, Pepsi, Marvel Comics, Microsoft, and MGM Entertainment.

One last story: Miranda Evarts of New Jersey was six years old. Unable to sleep one night, she started thinking up a game in which she rescued queens who had fallen under a sleeping spell. With the help of her family, she developed the card game, *Sleeping Queens*, which helps children with basic math skills as they play.

Her parents contacted a Massachusetts-based, game manufacturer, Gamewright, which worked on developing the game with Miranda's family. Eventually they entered into a licensing agreement. Today, the game is one of Gamewright's most successful. It has won numerous awards. It has been translated into various languages, and it is marketed internationally.

The point of these stories is that today, culture on-line is not only multimillion-dollar blockbuster movies, streaming video or smart phone apps. It is all these, of course. But it is also the way millions of creative individuals and small companies turn ideas into a living, for themselves and for others.

The internet allows large companies to benefit, but at the same time, it allows an individual person with a great idea to tap into a global audience.

This nexus between culture and the internet is young, and it is developing quickly. You heard earlier this morning from leading experts how improvements in internet technology are opening new markets, expanding the reach of products, increasing productivity and creating jobs. This afternoon you'll hear how companies are working together to ensure that changes in technology and internet businesses are sustainable for content providers and the industries that service them.

What you'll learn is these are challenging times for content providers and technology companies, but they are also exciting times. New products and new ways of bringing them to consumers will transform cultural offerings and the ways we enjoy them. All of this is a testament to the enduring and expanding partnership between culture and technology.

You may have noticed I haven't said much about the role of government in all of this. That's not an oversight. It reflects two important messages I want to leave with you today.

First, this really isn't about government. Now I'm not one of those who is skeptical about the value of government. But in this case, governments aren't the creators. They aren't the developers or the content providers or the service providers. Nor should they be. Companies create the jobs. Creators make a living from their ideas. Consumers enjoy a wide array of products that match their interests and needs. That's the real story, not what role governments play.

But my second message is that governments do have a role, even if it is secondary.

What is the job of government? What is my role and the role of my colleagues in the governments of Spain, the United States and countries around the world? It's no different than our responsibilities with regard to other types of trade and commerce. We protect rights. We mediate interests, and we set ground rules to make sure the playing field is level, that the game is fairly played and that those who break the rules are sanctioned.

Is it that easy? No. It means making tough decisions, especially when the equipment and the players are constantly changing and the implications of those changes are unclear and involve other factors.

Governments should not be merely referees or traffic cops. Governments add real value when they are catalysts for change and when they encourage stakeholders to work together to find solutions that work for everyone. Governments can promote new frameworks that allow every player to pursue their own interests and objectives. That's really why I am here today.

Some of you may have heard me talk about Economic Statecraft, the label given by former Secretary of State Hillary Clinton to our placing economic policy at the forefront of our foreign policy. Secretary John Kerry made clear he intends to maintain and deepen that focus. The practice of economic statecraft is about making sure our network of embassies and diplomats do everything we can to promote America's economic interests and to create jobs and growth at home. Here in Spain, an important part of our efforts, over the past three years, has been to help this country overcome its present crisis, so that its economy recovers, and Spain can be the trade and investment partner that America needs.

That is what this conference is about. Spain is a leader in both cultural content and on-line technology. Making the relationship between culture and technology work for the benefit of both will power

Spanish industry and creativity in partnership with American industry and creativity. This will help put Spain back on track. It will promote economic growth. It will create jobs, and it will strengthen the dynamic partnership between our two countries and economies.

Thank you for the opportunity to join you today. Count on the United States to stand with Spain as you explore and develop the future of this exciting arena, of culture on-line, cultura en red.